

Reconsideration is respectfully requested of the rejection of claims 1 to 5 and 15 to 20 as unpatentable under 35 USC 103 as unpatentable over Lawlor (US Pat. No: 5,220,501) in view of Kight (US Pat 5,383,113).

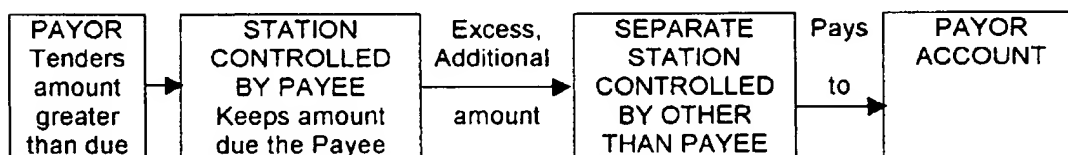
Claims 1 to 5 and 32 to 35 are believed to be distinct and non-obvious from any of the references, alone or in combination by virtue of "entering, in the form of data, a tendered amount into a station of a network **controlled by the payee**, said amount being **greater** than any amount due the payee;" and/or "subtracting, in the form of data, the amount due the payee from at least a portion of the tendered amount to obtain an additional amount;" and/or "transmitting, in the form of data, the **additional amount** to a separate station forming part of a network **controlled by other than the payee** and, within the separate station, crediting, in the form of data, the additional amount into a payor account."

Claims 15 to 20 are believed to be distinct and non-obvious from any of the references, alone or in combination by virtue of "a step of automatically adjusting, in the form of data, the balance of the operating account, on the basis of the one transaction to form a rounder amount, and the balance of a rounder account of the payor on the basis of the automatic adjustment."

Claims 21 to 35 are believed to be distinct and non-obvious from any of the references, alone or in combination by virtue of and "entering data that

identifies a credit or debit amount into a station **controlled by the payee;**" and/or "transmitting the data that identifies the credit or debit amount to a separate network **controlled by other than the payee;**" and/or "within the separate network, modifying the data associated with **the payor account** a credit or debit;" and/or "transferring any data representing a debit back to the payee." in claims 21 to 31.

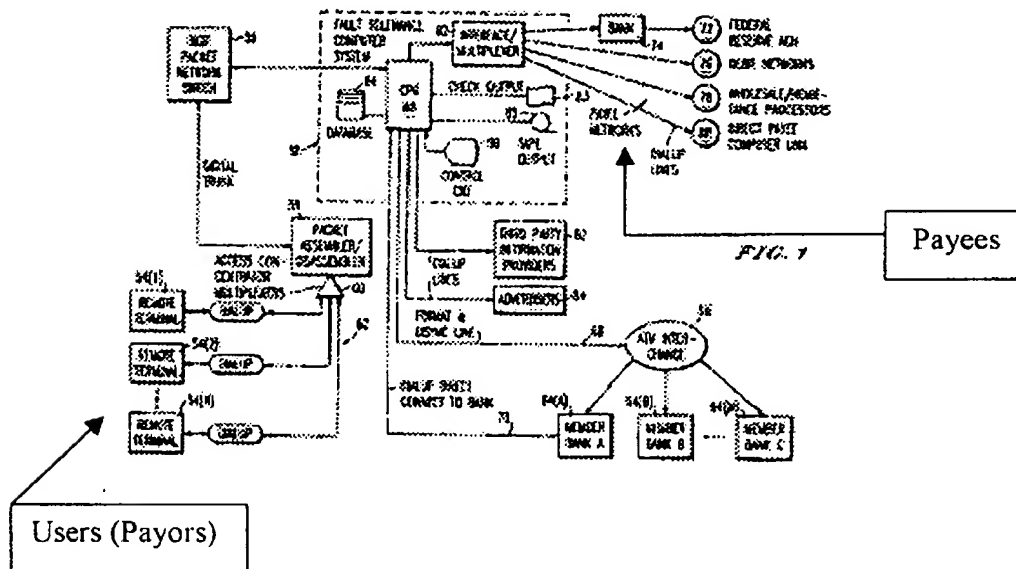
Thus, in the claimed method for example, in claims 1 to 5 and 32 to 35, the payor makes a payment directly at a **station controlled by the payee** and the payee retains the amount due payee as shown below:



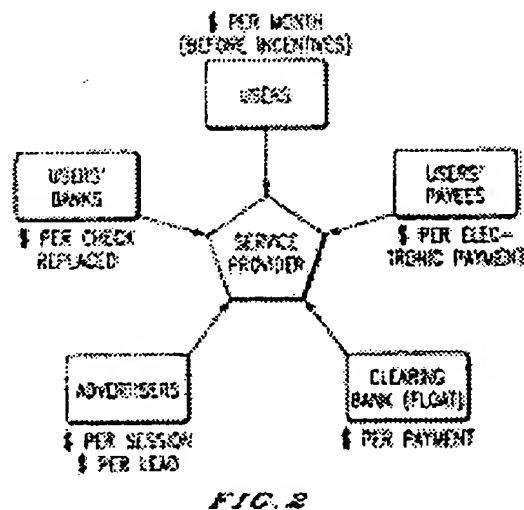
The station then transmits, in the form of data, the excess or additional amounts to a station controlled by other than the payee (for example a service provider) and the latter applies, in the form of data, part or all the excess/additional amounts to a payee account. **The payor in effect deals directly with the payee at the station controlled by the payee.**

In Lawlor, the payor deals with a station controlled by the payor's own station, or a station controlled by an intermediary. The payor uses the station to select **one of a number of payees**. The payee never controls the station. This can

be seen from Lawlor Fig. 1 where the user (payor) utilizes one of a number of remote terminals 54(1), 54(2), ... 54(N) to select a payee via a central processor controlled by a service provider.



Lawlor's Fig. 2 emphasizes the separation of the users (payors) from the payees (plural) as shown below:



The Lawlor specification further stresses this in column 33, lines 2 to 10, which read:

“When bill payment is selected from the main menu of services the user's account balances is presented, his terminal 54 displays a unique **list of payees** (preferably specified beforehand by the user in response to a questionnaire or the like). After **selecting one payee**, the amount of payment is entered on the keypad 114 and the figures appear on display 102 (but are not transmitted until a buffer is ready for transmission).” [emphasis added]

Since the Lawlor user (payor) at the terminal 54 **selects the payee** from among a **number of payees** it is clear that **Lawlor's terminal is not controlled by the payee.**

In claims 1 to 5 and 32 to 35, the terminal in the network controlled by the payee stands between the payor and the network controlled by **other than the payee**. The payee receives the amount before any excess passes to the payor accounts. In Lawlor, an independent network separates the user (payor) station from a **multiplicity of payees, no one of which can control** the user station. The payee gets paid only after the user (payor) has informed the service provider network the identity of the one payee among several payees is to be paid.

The claimed features provide a direct pass-through of the additional amounts to their ultimate payee destinations without the payee's awareness of the destinations, and without accounting or tax consequences to the payee. At the same time, the payee receives payment directly, **in cash, by check**, or by credit

card, without the service provider or banks scrutinizing the payor account to determine sufficient balances.

None of the references, alone or in combination, suggests these features nor in any sense make the claims obvious. The Examiner makes numerous allegations concerning Lawlor's showing of features in the claims and cites copious passages in Lawlor. However, as applicant will show, these are inapt if not misleading.

In paragraph 6, starting with "As per claim 1", the Examiner alleges that "Lawlor teaches a method of accumulating credits in payor accounts from financial transactions between a payor and payee (column 10 lines 35-41)(col 34 lines 5-30)(col 34 lines 41-48)." This refers to the **preamble** of claim 1, and may be generally so, but has no effect on patentability.

In the same paragraph 6, The Examiner starts a long sentence with several assertions in separate clauses. In the first part of the sentence the Examiner alleges that "Lawlor also teaches entering a tendered amount into a station of a network controlled by the payee (col 41 line 65-col 42 line 2) ...". As shown above, this is **totally baseless**. There is nothing in Lawlor that suggests entering a tendered amount into a station of a network controlled by the payee. Lawlor's Column 41 line 65 to column 42 line 2 does not change the **inaccuracy** of the Examiner's statement. That passage reads:

Referring now to FIG. 13, the "bill process" routine 392 performs the function of processing, reviewing and correcting billing information--and also permitting the user to electronically request funds to be debited from his bank account and used to pay bills to particular desired creditors on specified dates.

There is not the slightest hint in that passage that suggests that the user terminal is controlled by the payee.

The Examiner continues the previously quoted passage with the allegation that Lawlor also teaches: "... including paying a bill in the future (Fig 14B/536)(col 44 lines 38-41) as well as paying a bill periodically (Fig 14C/564) ...". These features are not part of the claim 1 or any of the independent claims. They add nothing to the **failure of Lawlor** to suggest that the user terminal is controlled by the payee, and thus fail to make any of the independent claims obvious.

The examiner ends the sentence with an **admission** that the user terminal is not controlled by the payee. The examiner asserts that Lawlor includes "... providing ahead of time the names, account numbers, etc **of payees that the user desires** to pay bills to electronically (col 42 line 68-col 43 line 6)." Yes, indeed. Here is the Examiner's direct acknowledgment that the payee does not control the user's (payor's) entry station. The user utilizes the entry station 54 to select the payee.

The Lawlor passage in question reads:

In the preferred embodiment, the user is asked through direct mailings (or in certain cases by telephone) to provide, ahead of time, the names, addresses, account numbers, and other information **specifying payees he wishes to pay bills to** electronically (the user is also asked for other relevant account information for other services such as funds transfers). [Emphasis added]

In paragraph 6, the Examiner further states "Lawlor teaches paying additional bills (col 49 lines 44-48) as well as transferring funds between accounts (col 49 lines 48-50)." This has no bearing on claim 1 or any of the independent claims. This adds nothing to the **failure of Lawlor** to suggest that the user terminal is controlled by the payee, and thus fails to make any of the independent claims obvious.

The Examiner continues with "Finally, Lawlor teaches depositing funds into an account to pay bills now (Fig 20C)(col 50 lines 40-59) or in the future (col 50 line 64-col 51 line 5). Lawlor permits the creation of an account for accumulating credits in such account from financial transactions between a payor and a payee (col 51 line 67-col 52 line 15)." These add nothing to the **failure of Lawlor** to suggest that the user terminal is controlled by the payee, and thus fail to make claims 1 to 5 or 21 to 32 obvious.

In the next sentence the Examiner **admits** that Lawlor fails to suggest the claimed additional amount that goes into the payor account. The Examiner states

“Lawlor does not specifically teach the use of a labelled ‘surplus’ account”. He argues that “Kight teaches this (col 5 line 23-col 8 line 23) (Figs 4a-4c) including a provider writing checks on behalf of a customer with ‘at risk’ excessive amounts (col 7 line 51-col 8 line 15) (col 6 lines 9-40) to merchants which can be arbitrary (col 4 lines 42-54) which can include multiple payments (col 4 lines 47-49) to particular merchants who also have settlement codes that correspond to remittance processing system (RPS) credits (col 6 lines 50-51) where the merchant could receive an excess credit. Kight also teaches displaying a status of the available funds in the payor’s account which does not include the previously scheduled payment amounts, as well as transmitting the additional amount to a separate station forming part of the network controlled by other than the payee (Fig 1/47/49) (col 5 lines 1-7) and within the separate station, crediting at least part of the additional amount into one or more of the payor surplus accounts determined by the payor to enter a desired payment amount (col 4 lines 47-49)”

There is nothing in the aforementioned Kight statements that **add anything to Lawlor’s failure to suggest that the user terminal is controlled by the payee**. This applies to the dependent claims as well. Thus no combination of Lawlor and Kight can make any of claims 1 to 5 or 21 to 32 obvious.

In paragraphs 7 and 8, the Examiner rejects dependent claims 2 and 3 as in claim 1. These claims are believed to be allowable with claim 1.



Reconsideration is respectfully requested of the rejection, in paragraph 9, of claim 15 as unpatentable over Lawlor in view of Kight. The Examiner alleges "Lawlor teaches a method wherein said step of entering a base amount from at least one transaction between a first party and a second party and the step of changing the balance of an operating account of the first party on the basis of the amount of at least one transaction and a step of **automatically** adjusting the balance of the operating account on the basis of the one transaction to form a **rounder amount** and the balance of the first party of the balance of the least one **rounder** account of the first party on the basis of the adjustment (col 15 lines 34-47) (col 35 lines 16-36)." However, the passages to which the Examiner refers **do not say or suggest this at all**. Lawlor's Column 15, lines 34 to 47 read:

"While the present invention provides bill paying services, customers may also use the system to better manage their money. More sophisticated active users may better manage their money by, for example, checking their account balances, viewing payment records, transferring funds between accounts, future dating of bills and funds transfers, and requesting other bank services. Future dating of bills minimizes users float, and users may future date funds transfer to maximize interest bearing balances. Transferring funds between banks is possible with immediate debit or credit within one day (depending upon the ATM network clearing procedures)."

Column 35, lines 16 to 36 read:

"The "account balance" menu selection provides information on account balances for the user's indicated transaction account and for other user bank accounts. In addition, there is a statement of online activity which summarizes the transactions that were entered during a desired historical period (e.g., the last 45 days including the current session), an opening balance (using the oldest balance stored in the central processor for over the past 45 days) and the ending balance (current balance adjusted for any transactions processed during a terminal session)."

Clearly, there is no suggestion of a rounder that is automatically adjusted to adjust a rounder account. **The Examiner admits** the lack of such account by stating "Lawlor does not specifically teach the use of a labelled "surplus" account."

However, the Examiner alleges that "Kight teaches this (col 5 line 23-col 8 line 23) (Figs 4a-4c) including a provider writing checks on behalf of a customer with "at risk" excessive amounts (col 7 line 51-col 8 line 15) (col 6 lines 9-40) to merchants which can be arbitrary (col 4 lines 42-54) which can include multiple payments (col 4 lines 47-49) to particular merchants who also have settlement codes that correspond to remittance processing system (RPS) credits (col 6 lines 50-51) where the merchant could receive an excess credit."

The Kight passages to which the Examiner refers **do not suggest this at all**. These passages follow:

**Col 5, line 23 - col 8 line 23:**

Referring now to FIGS. 4a, 4b and 4c, the payment process is shown. The payment process cycle 56 may be initiated each day, or more or less frequently. The first step is to establish when payment items are to be processed. This may be accomplished through a processing calendar 58. A processing calendar means 58 such as a clock may be built into the system. The calendar 58 enables the system to consider each date, including weekends and the Federal Reserve holidays. Payments are released from the consumer pay table 38 using the due date input by the consumer and maintained in the consumer database. Any bank date, payments, or payments within a period such as four business days may be released the same day. All future payment dates would be stored in the consumer pay table 38. On-line inquiry may be

made on the consumer pay table 38. The service provider has on-line capability to make changes to the consumer payment upon request until the day the payment is released. A consumer's merchant change may also affect the consumer's payment on the Day table 38.

The method of payment to the merchant may be either paper (draft or check) or electronic. Assigned factors determine if a payment will be released as a paper item, or an ACH electronic transaction service provider is a party to transaction). Each consumer may be assigned a status such as: active=good; inactive=bad; and, pending=uncertain, risky. If a consumer's status is pending 60 when the payment processing cycle is initiated by the processing calendar 58, the payment should go out as a draft paper to protect the service provider. When payment is made by draft, the service provider is not a contractual party to the transaction. The consumer's bank account codes are actually encoded onto the draft (as shown in FIG. 5) prepared by the service provider, much like the consumer's personal check. The draft has been specially designed for this process. The draft is payable to either the service provider or the particular merchant. This allows the draft to be delivered to the merchant for payment and depositing, but allows the draft to be legally payable by the bank, with proper authorization. Additionally, posting information for the merchant is contained on the body of the draft. To the applicant's knowledge, it is the first time a draft has been used in such a manner and with this unique design to accomplish this. If the consumer's bank transit number does not indicate an electronic bank 62 (i.e. a banking institution that will accept electronic funds transfer), the program associated with FIF 24 sends the payment as a draft. A pre-note 28 is required any time 64 new banking information is entered on a consumer and the bank shows on FIF 24 as an electronic receiving bank. The present pre-note period under federal Law is ten (10) days. Any payments released during this period are sent as paper.

The third manner in which the service provider may pay bills is by a check written on the service provider's account. A consolidated check may be written if many consumers have asked the service provider to pay the same merchant. Under this method of payment the service provider assumes some risk since the service provider writes the check on its own account. The service provider is later reimbursed by the (consumer's) banking institution(s).

As a means of minimizing risk to the service provider, any transaction may be compared to the MMF 42 credit limit. For example, if the credit limit is greater than zero and the payment is \$50.00 or less 66, the item may be released as an electronic payment 74 or by service provider check 78. If the payment is greater than \$50.00 but less than or equal to the merchant credit limit 68, the payment may be released as an

electronic payment 74 or check 78. Any payments within the merchant's credit limit 70 are added to the consumer's monthly ACH balance 72. This provides a monthly total billing day to billing day summary of the consumer's electronic payment activity. Any transaction may be compared to the consumer's database credit limit parameters. If a payment amount is greater than the consumer's credit limit, the item is released as a draft 76 which is written on the consumer's account. If the payment amount plus the total of electronic payments in a particular month is greater than the consumer's credit limit, the item is released as a draft 76. Items not released as paper are initiated as an ACH debit against the consumer's account.

The consumer database may be reviewed for proper electronic funds transfer (EFT) routing. Payment to the merchant may be accomplished one of three ways, depending on the merchant's settlement code. Various merchant's settlement codes may be established. For example, a merchant set up with a settlement code "01" results in a check and remittance list 78 being mailed to the merchant. Merchants with a settlement code such as "10" produce an ACH customer initiated entry (CIE). Merchants with a settlement code such as "13" produce a remittance processing system (RPS) credit.

In the consumer pay table, for fixed payments, a payment date gets rolled to the next scheduled payment date on the pay table. The number of remaining payments counter is decreased by one for each fixed payment made. For variable payments, once made the payment date is deleted from the consumer pay table. The schedule date and amount on the consumer pay table roll to zero. A consumer payment history may also be provided which show items such as princess date as well as collection date, settlement method, and check number in addition to merchant name and amount.

The software of the present invention makes several decisions related to particular transactions for consumers as shown in FIGS. 4A, B, C. The following example is provided to more fully describe the software. This example is not intended to limit the application to the details described in the example and is only provided to further enhance the description of the invention already stated above.

For this example, assume that a consumer has five transactions of varying amounts to different merchants for which the consumer has asked the service provider to arrange payment. For simplicity, assume that the five payments are to be made on the same day. First, the consumer database 22 is edited to validate the status, banking institution, and pre-note flags associated with the consumer's requested payments. The account numbers provided by the consumer for the merchants to be

paid are also checked to determine if they are valid. Assuming the merchant account numbers are valid, the program begins with the first dollar analysis.

For purposes of this example, the five payments the consumer has requested are in the amounts of: \$25.00; \$75.00; \$150.00; \$250.00; and \$1000.00. The program will consider each dollar amount individually as it goes through the various edit modes. The first edit may be called a \$50.01 edit. In this example, any transaction that is less than \$50.01 is automatically sent as an ACH debit to the consumer's account. This means that the service provider uses ACH to electronically transfer funds from the consumer's account to the service provider's clearing account.

In this example, the initial payment of \$25.00 falls within the \$50.01 edit and will be said without any further edits being conducted for this particular payment. Continuing with the example, the next edit may be a merchant dollar edit that is established for the specific merchant to which the transaction is being sent. For purposes of this example, this edit is set at \$100.00 for all merchants. Different dollar edits can be incorporated for different merchants. In the example, the second payment request of the consumer, for \$75.00, meets the \$100.00 merchant edit parameter and is sent as an ACH debit to the consumer's account. Note that the \$75.00 payment would not have satisfied the \$50.01 edit and therefore would have passed on to the second edit which in this case is the merchant dollar edit.

The remaining three payments in the example exceed both the \$50.01 edit and the merchant \$100.00 edit and therefore, go to the next edit. In the example, the next edit is for a consumer individual transaction limit set at \$200.00. The \$150.00 payment is less than the \$200.00 consumer individual transaction limit and is, therefore, sent as an ACH debit to the consumer's account and paid. The other two remaining payments yet to be made exceed the \$200.00 limit in this example and pass to the next edit.

In the next edit, which happens to be the last edit in the example, the consumer's month-to-date "unqualified" risk limit is checked. In the example, the month-to-date limit is set at \$1,500. Assume that for this particular consumer \$400.00 of month-to-date payments have already been made on the consumer's behalf. Added to the \$400.00 would be the three payments made above for \$25.00, \$75.00 and \$150.00. So an additional \$250.00 is added to the \$400.00 month-to-date for a total of \$650.00 "unqualified" risk for the current month-to-date amount. The next payment to be made is for \$250.00 and would fall within the \$1,500 month-to-date limit when added to the current \$650.00 risk amount.

Therefore, the \$250.00 payment is made and an ACH debit is sent to the consumer's account. This brings the total month-to-date "unqualified" risk amount to \$900.00. The final \$1,000 payment has not been paid and would send the "unqualified" risk amount over \$1,500 when added to the \$900.00. Since the final payment of \$1,000 in the example, fails the consumer month-to date limit edit, the \$1,000 payment would be sent as a paper draft directly drawn on the consumer's account, and for which the service provider has no liability. In the example, the final step would be updating the consumer month-to-date current total to \$900.00.

The apparatus for and method of bill payment of the present invention and many of its attendant advantages will be understood from the foregoing description. It will be apparent that various changes may be made in the form and steps thereof without departing from the spirit and scope of the invention or sacrificing all of its advantages.

**Col 7, line 51 - col 8 line 15:**

In the next edit, which happens to be the last edit in the example, the consumer's month-to-date "unqualified" risk limit is checked. In the example, the month-to-date limit is set at \$1,500. Assume that for this particular consumer \$400.00 of month-to-date payments have already been made on the consumer's behalf. Added to the \$400.00 would be the three payments made above for \$25.00, \$75.00 and \$150.00. So an additional \$250.00 is added to the \$400.00 month-to-date for a total of \$650.00 "unqualified" risk for the current month-to-date amount. The next payment to be made is for \$250.00 and would fall within the \$1,500 month-to-date limit when added to the current \$650.00 risk amount. Therefore, the \$250.00 payment is made and an ACH debit is sent to the consumer's account. This brings the total month-to-date "unqualified" risk amount to \$900.00. The final \$1,000 payment has not been paid and would send the "unqualified" risk amount over \$1,500 when added to the \$900.00. Since the final payment of \$1,000 in the example, fails the consumer month-to date limit edit, the \$1,000 payment would be sent as a paper draft directly drawn on the consumer's account, and for which the service provider has no liability. In the example, the final step would be updating the consumer month-to-date current total to \$900.00.

**Col 6, lines 9-40:**

The third manner in which the service provider may pay bills is by a check written on the service provider's account. A consolidated check may be written if many consumers have asked the service provider to pay the same merchant. Under this method of payment the service provider assumes some risk since the service provider writes the check on its own account. The service provider is later reimbursed by the (consumer's) banking institution(s).

As a means of minimizing risk to the service provider, any transaction may be compared to the MMF 42 credit limit. For example, if the credit limit is greater than zero and the payment is \$50.00 or less 66, the item may be released as an electronic payment 74 or by service provider check 78. If the payment is greater than \$50.00 but less than or equal to the merchant credit limit 68, the payment may be released as an electronic payment 74 or check 78. Any payments within the merchant's credit limit 70 are added to the consumer's monthly ACH balance 72. This provides a monthly total billing day to billing day summary of the consumer's electronic payment activity. Any transaction may be compared to the consumer's database credit limit parameters. If a payment amount is greater than the consumer's credit limit, the item is released as a draft 76 which is written on the consumer's account. If the payment amount plus the total of electronic payments in a particular month is greater than the consumer's credit limit, the item is released as a draft 76. Items not released as paper are initiated as an ACH debit against the consumer's account.

None of these passages suggests a step of automatically adjusting the balance of the operating account, on the basis of the one transaction to form a rounder amount, and the balance of a rounder account of the payor on the basis of the automatic adjustment as claimed. The accounts to which the Examiner refers are loans. **In Kight the user's account is never more than zero – therefore, there never exists any “excess funds in an account”. In one embodiment of the Kight, the service provider accepts a “risk” by granting the user temporary credit – but this is not “excess” (the Examiner's terminology) for the user. It is an excess that belongs to the service provider. Nor is it the claimed adjustment that comes out of the account of the customer. The Examiner admits that the provider writes “checks on behalf of a customer” (Paragraph 9 line 9) and that the “merchant could receive an excess credit” (Par 9. lines 12 and 13).**

In paragraph 9, the Examiner further alleges that Kight teaches the use of

"rounder account amounts (col 7 line 15 – col 8 line 15)". It is submitted that this is not so. There is no mention or hint of rounder amounts in this passage, which reads as follows:

In the next edit, which happens to be the last edit in the example, the consumer's month-to-date "unqualified" risk limit is checked. In the example, the month-to-date limit is set at \$1,500. Assume that for this particular consumer \$400.00 of month-to-date payments have already been made on the consumer's behalf. Added to the \$400.00 would be the three payments made above for \$25.00, \$75.00 and \$150.00. So an additional \$250.00 is added to the \$400.00 month-to-date for a total of \$650.00 "unqualified" risk for the current month-to-date amount. The next payment to be made is for \$250.00 and would fall within the \$1,500 month-to-date limit when added to the current \$650.00 risk amount. Therefore, the \$250.00 payment is made and an ACH debit is sent to the consumer's account. This brings the total month-to-date "unqualified" risk amount to \$900.00. The final \$1,000 payment has not been paid and would send the "unqualified" risk amount over \$1,500 when added to the \$900.00. Since the final payment of \$1,000 in the example, fails the consumer month-to-date limit edit, the \$1,000 payment would be sent as a paper draft directly drawn on the consumer's account, and for which the service provider has no liability. In the example, the final step would be updating the consumer month-to-date current total to \$900.00.

There is not the slightest hint here of a rounder, only a loan to the consumer.

Paragraphs 10 to 14 refer to claims 16 to 20 that depend from claim 15 and are believed patentable with claim 15. With respect to claim 17, the Examiner is believed to be incorrect because there is no automatic adjusting step or



changing step suggested in any combination of Lawlor and Kight. In claim 18, neither Lawlor nor Kight suggests adjusting on the basis of the instructions of the payor. It is done on the basis of the judgment of the service provider. In claim 20, Lawlor and Kight in combination fail to suggest that the adjusting steps are performed outside the control of the payee. They are all done by the service provider.

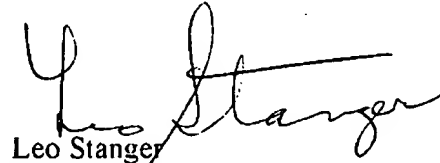
In paragraphs 17 to 28, the Examiner again alleges that Lawlor teaches a method of modifying data in a payor account from a financial transaction between a payor and a payee, comprising entering data that identifies a credit or a debit amount on a separate network controlled by other than the payee. As explained above, Lawlor fails to suggest entering data that identifies a credit or debit amount into a station controlled by the payee. Such step appears in claims 21 to 32 to which paragraphs 14 to 28 refer. None of the passages mentioned by the Examiner suggest such entering data that identifies a credit or debit amount into a station controlled by the payee. Thus it is respectfully requested that these claims be allowed.

As to paragraph 29, reconsideration is respectfully requested of the rejection of dependent claims 4 and 5 as unpatentable over Lawler, in view of Helbling, in view of Bush, and further in view of Kight. The Examiner alleges that Lawler teaches a method according to claim 1. As previously stated, it is submitted that this allegation is incorrect for the reasons shown. Thus the logic of the rejection of claims 4 and 5 is equally false.

Reconsideration is respectfully requested of the rejection of dependent claims 4 and 5 as unpatentable due to double patenting. As suggested by the Examiner a terminal disclaimer is being submitted.

In view of the above, it is respectfully requested that the claims be allowed and the case passed to issue.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Leo Stanger", with a large, stylized initial "L" and "S".

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